

Message Text

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TO USLO PEKING

AMCONSUL HONG KONG

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 144227

E.O. 11652: GDS

TAGS: ETRD, CH

SUBJECT: 1974 US-PRC TRADE OUTLOOK -- THE VIEW AT MIDYEAR

REF: STATE 139201; STATE 030316

1. WE HAVE REVIEWED THE DECEMBER 1973 ASSESSMENT THAT TWO-WAY TRADE BETWEEN THE US AND CHINA WOULD REACH U \$1.25 BILLION IN CALENDAR 1974. ON BALANCE, IT SEEMS LIKELY THAT TWO-WAY TRADE WILL STILL REACH THIS FIGURE. THE REVIEW TAKES INTO ACCOUNT TRADE RESULTS OF JANUARY THROUGH MAY (\$502.8 MILLION, OF WHICH EXPORTS \$464.8 MILLION), SWITCHING OVER \$100 MILLION IN CORN CONTRACTS INTO SOYBEANS, NEW WHEAT SALES, AND A DECLINE IN EXPECTATIONS IN THE NON-AGRICULTURAL SECTOR. THE ESTIMATE PRESUMES A RESUMPTION OF WHEAT SHIPMENTS BASED ON A SATISFACTORY RESOLUTION OF THE TCK SMUT PROBLEM. IT ALSO
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PRESUMES CONTINUANCE OF STEEL SCRAP QUOTAS.

2. THE STRONGEST ELEMENT IN US EXPORT TRADE IS AGRICULTURAL SHIPMENTS, WHICH TOTALLED \$365 MILLION AS OF MAY 31, AND WILL REACH \$1 BILLION IF ANTICIPATED AGRICULTURAL EXPORTS ARE ACTUALLY COMPLETED. FOR THE 1974 CALENDAR YEAR OUR PRESENT ESTIMATE OF AGRICULTURAL SHIPMENTS ARE AS FOLLOWS: WHEAT, THREE MILLION METRIC TONS (\$400 MILLION); CORN, 872,000 METRIC TONS (\$100 MILLION); SOYBEANS, 850,000 METRIC TONS (\$200 MILLION); COTTON, 1.2 MILLION RUNNING BALES (280 MILLION) AND MISCELLANEOUS (\$25 MILLION). THE AGRICULTURAL COMPONENT OF EXPORTS WILL BE OVER 80 PERCENT RATHER THAN UNDER AS PREVIOUSLY EXPECTED.

3. NON-AGRICULTURAL EXPORTS WERE APPROXIMATELY \$100 MILLION IN JANUARY THROUGH MAY. IT SEEMS LIKELY THAT AT LEAST ANOTHER \$50 MILLION IN NON-AGRICULTURAL EXPORTS WILL BE SHIPPED IN JUNE THROUGH DECEMBER, THE LARGEST SHIPMENTS BEING M. W. KELLOGG AND BUCYRUS ERIE EQUIPMENT.

4. US IMPORTS OF PRC PRODUCTS, AVERAGING \$6.4 MILLION PER MONTH IN THE FIRST FOUR MONTHS OF 1974, ROSE TO NEARLY DOUBLE THAT RATE IN MAY ON THE STRENGTH OF GUM ROSIN AND TEXTILE ARRIVALS. ALTHOUGH IT IS POSSIBLE, OWING IN PART TO UNSATISFACTORY BUSINESS RESULTS AT THE SPRING CANTON FAIR, THAT US IMPORTS BY YEAR END WILL NOT HAVE REACHED THE \$100 MILLION FIGURE PROJECTED EARLIER, COMMERCE HAS DECIDED NOT TO ADJUST THE US IMPORT ESTIMATE AT THIS TIME. SISCO

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